

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2003-886

January 21, 2004

BANGOR HYDRO-ELECTRIC COMPANY
Petition for Reorganization Approval to
Dispose of Caretaker, Inc. Assets
(35-A MRSA § 708)

ORDER APPROVING
REORGANIZATION

I. SUMMARY

In this Order, we approve the sale by Bangor Hydro-Electric Company (BHE or the Company) of the assets of its Caretaker, Inc. (CI or Caretaker) home security business to a third party, Eagle Security Systems, Inc. (ESSI), as requested by BHE.

II. PROCEDURAL HISTORY

On December 4, 2003, BHE filed a petition requesting approval of the disposal of the assets of its non-utility subsidiary, Caretaker. The Company also requested that a Protective Order covering the proposed sale price, employee transition issues and the initial deposit be issued. On December 9, 2003, the Commission received a petition to intervene from the Office of the Public Advocate (OPA). The Hearing Examiner issued Protective Order No. 1 on December 10, 2003 and, later that day, BHE filed the confidential portion of its petition with the Commission and with the OPA. The OPA filed a letter on December 23, 2003 stating that it had no objection to the Commission's approval of the sale or the reorganization as proposed. No party requested a Technical Conference or hearing and no party requested additional information from BHE.

III. ANALYSIS & DECISION

The proposed transaction requires Commission approval pursuant to 35-A M.R.S.A. § 708 and, as such, the Commission must determine that the reorganization is consistent with the interests of the utility's ratepayers and investors.

Caretaker was created by BHE under requirements detailed in our Order dated January 28, 1997 in Docket No. 96-053: *Robert D. Cochrane v. Bangor Hydro-Electric Company, Request for Commission Investigation Into Bangor Hydro-Electric Company's Practice of Installing or Monitoring Security Alarm Systems*. The conditions we imposed on BHE included annual reporting requirements, limits on the sharing of customer information between BHE and CI, the eventual movement of CI into a BHE subsidiary housing "non-core" activities, and most importantly, the insulation of ratepayers from

any financial or business risks associated with this venture.¹ In addition, the Commission stated that any future dealings between BHE's electric utility and CI would be governed by support service contracts that would be subject to prior Commission review and approval under 35-A M.R.S.A. §707.

Today BHE is owned by Emera, Inc. of Nova Scotia, Canada, and is operating with a different management team than the one that initially created CI. BHE states that it has decided to sell its interest in CI to ESSI and has negotiated an "arms-length" sale of CI's assets that is acceptable to senior management. The proposed sale, besides being subject to our approval, is also subject to approval of BHE's Board of Directors according to the Letter of Intent. We believe that the interests of BHE's shareholders will be adequately protected by management and the Board of Directors. We will, however, require that BHE file a copy of the Board's Resolution approving this transaction as a condition of our approval.

It appears that the proposed transaction, at the proposed sale price, will not have any significant effect on BHE's financial condition. We reiterate that our original approval of BHE's investment in CI was explicitly subject to the condition that shareholders, not ratepayers, assume all future investment risks. Accordingly, all cumulative investments were made "below the line" and have not impacted BHE's electric rates. We also note that BHE's electric utility has been operating under an Alternative Rate Plan ("ARP") since early 2002 which serves to further insulate BHE's ratepayers from the costs associated with the CI investment even if the investment were not "below-the-line" for ratemaking purposes. Finally, the OPA, which was extensively involved in a both previous Dockets addressing Caretaker (Docket No.'s 96-053 and 98-555) has expressed no opposition to the proposed sale.

VI. CONCLUSION

We find this transaction consistent with the interests of shareholders and ratepayers.

Accordingly, we

ORDER

1. That Bangor Hydro-Electric Company's proposed sale of the assets of its subsidiary, Caretaker, Inc. to Eagle Security Systems, Inc. is approved subject to the condition that the Company obtain a Resolution from its Board of Directors approving this transaction and file a certified copy with the Commission; and

¹ In our Order dated January, 14, 1999 in Docket No. 98-555 *Bangor Hydro-Electric Company Affiliated Interest Transaction and Reorganization to Transfer its Caretaker Home Security Monitoring Business into a Separate Subsidiary*, Caretaker was moved to a BHE subsidiary.

2. That Bangor Hydro-Electric Company shall notify us of the date of the closing of this transaction within 60 days of closing; and provide us a copy of the appropriate accounting journal entries within that time period.

Dated at Augusta, Maine, this 21st day of January, 2004.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Diamond
 Reishus

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.